

Montana Healthcare Forum Conference November 28, 2012



**ESTIMATING THE FINANCIAL IMPACT OF
THE MEDICAID EXPANSION**

**BUREAU OF BUSINESS AND ECONOMIC
RESEARCH**

THE UNIVERSITY OF MONTANA

Medicaid Impacts in Progress...



Office of the Commissioner of Securities and Insurance will release study after submission of BBER report and internal review

National studies on Medicaid have gone through revisions and changes as well...

Differences emerge with respect to practically all facets of modeling-making apples to apples comparisons difficult

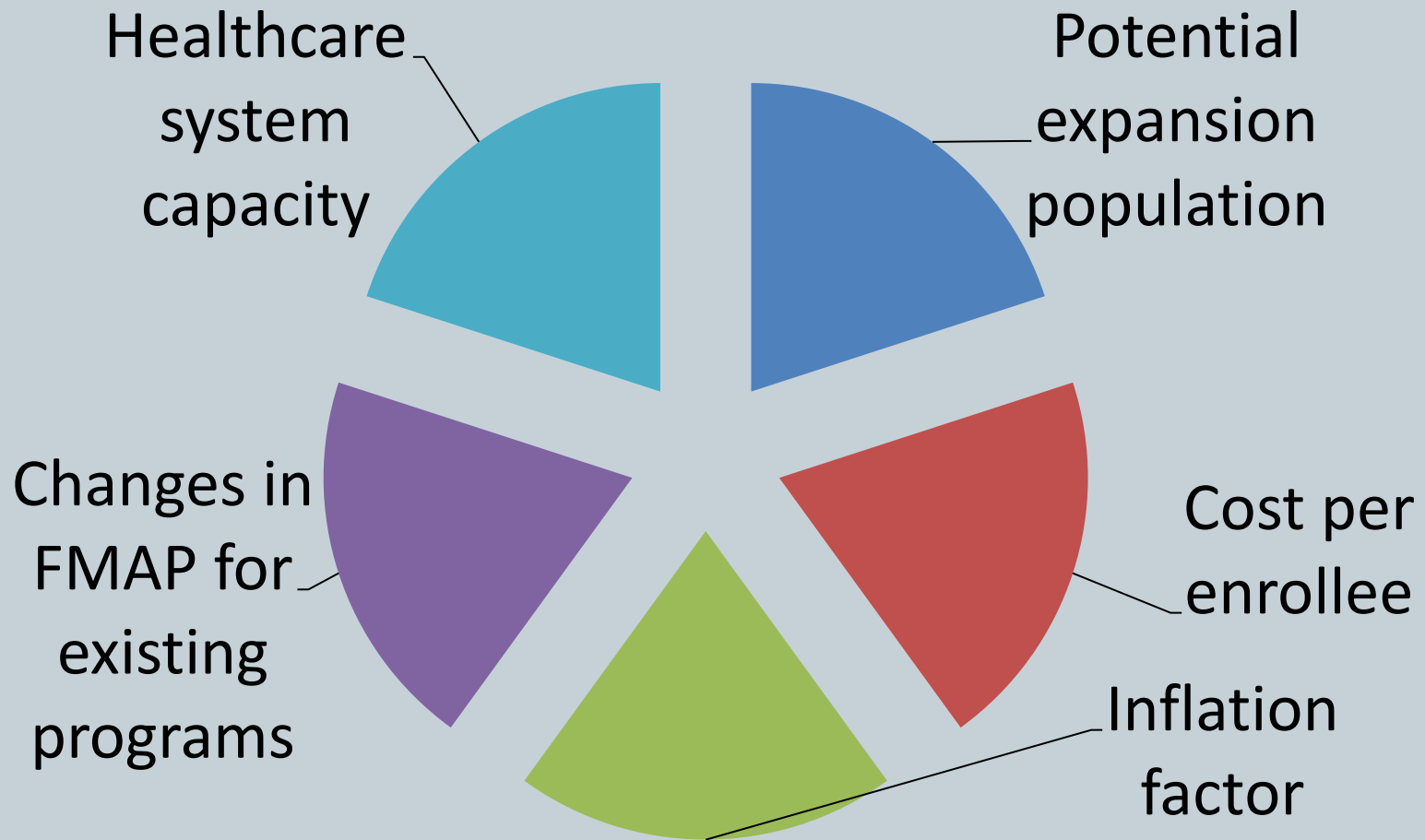
The Medicaid Expansion: Who's In and Who's Out?

(pre-election, **post-election**)

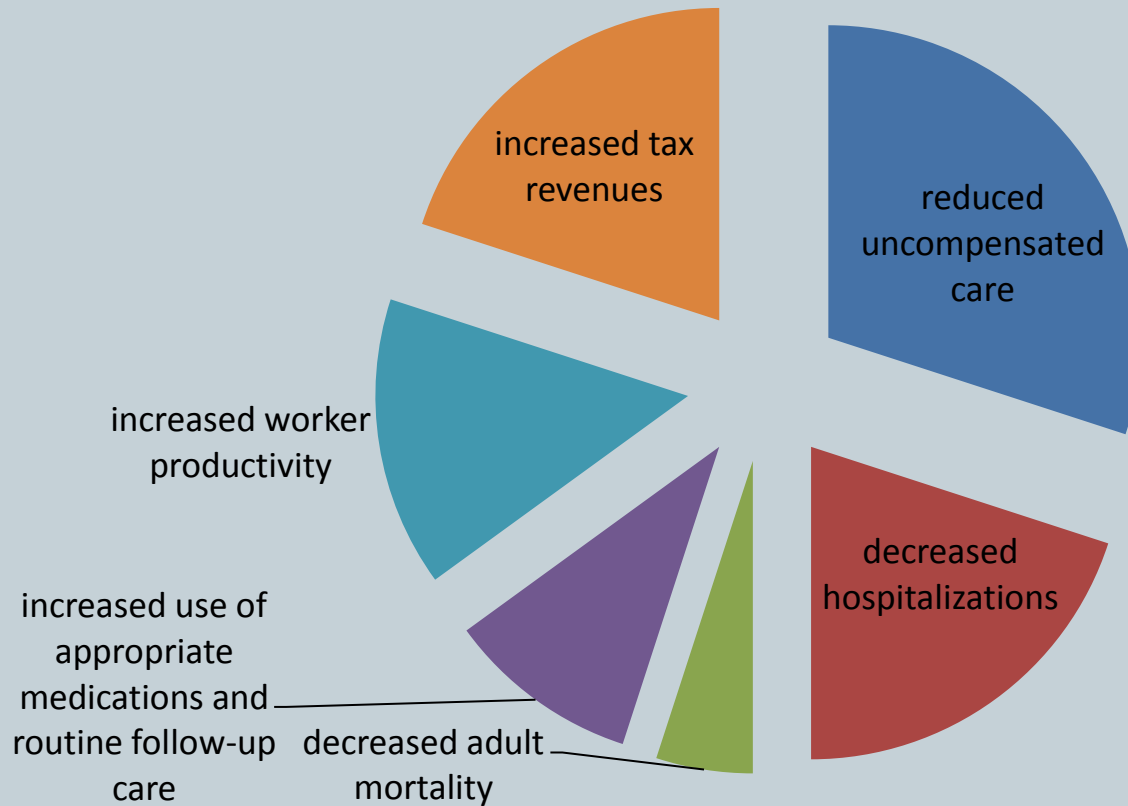


Expand Medicaid to 138% FPL	Number of States
No expansion	6 (FL,GA,LA,MS,SC,TX) 8 (GA, LA, MS, SC,TX, OK, AL, ME)
Leaning toward “No expansion”	5 5
Yes to expansion	12 12
Leaning toward “Yes to expansion”	2 5
Undecided	25 20

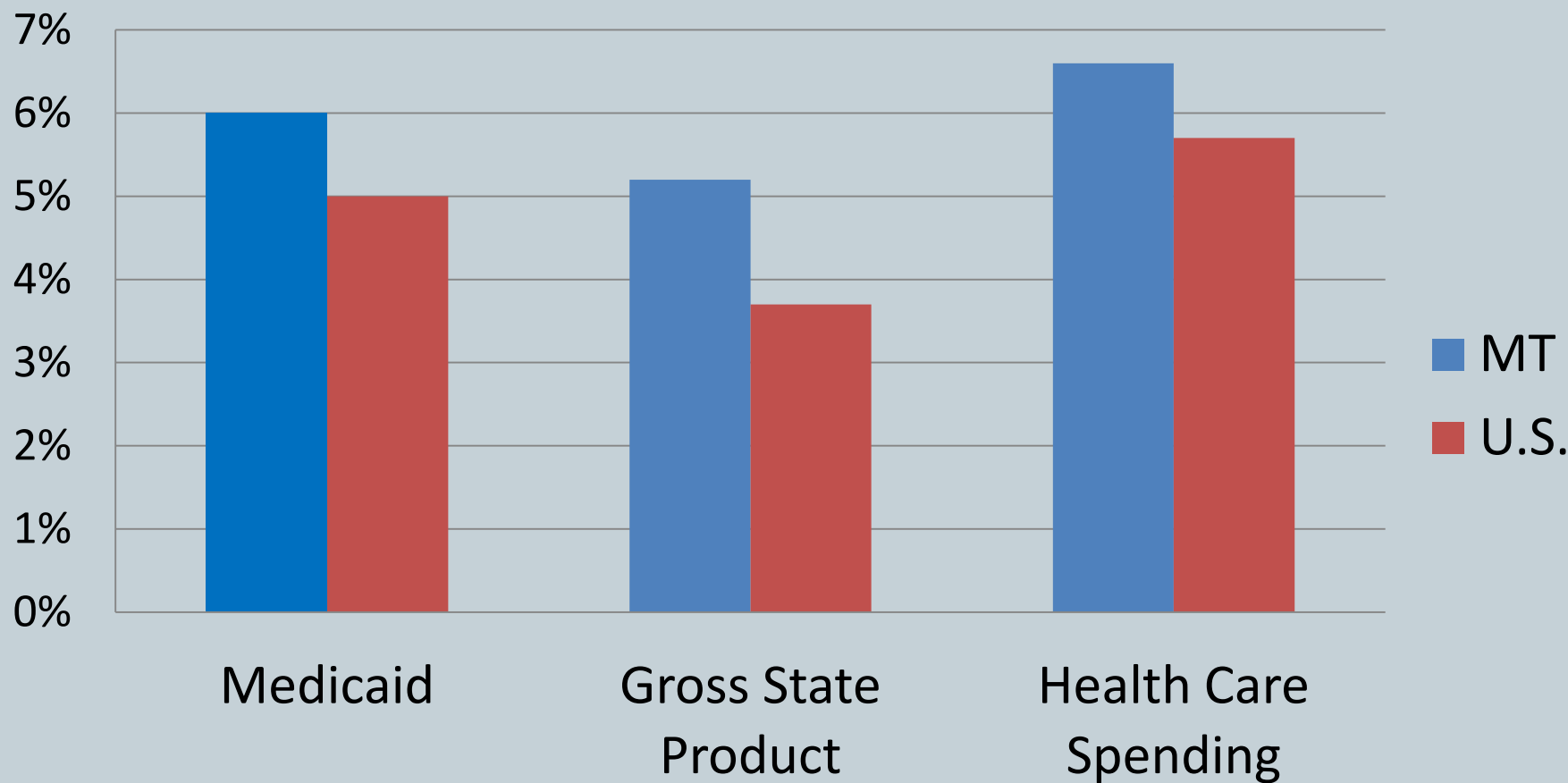
Major Cost Drivers in Medicaid Expansion



Benefits associated with reducing uninsured rate

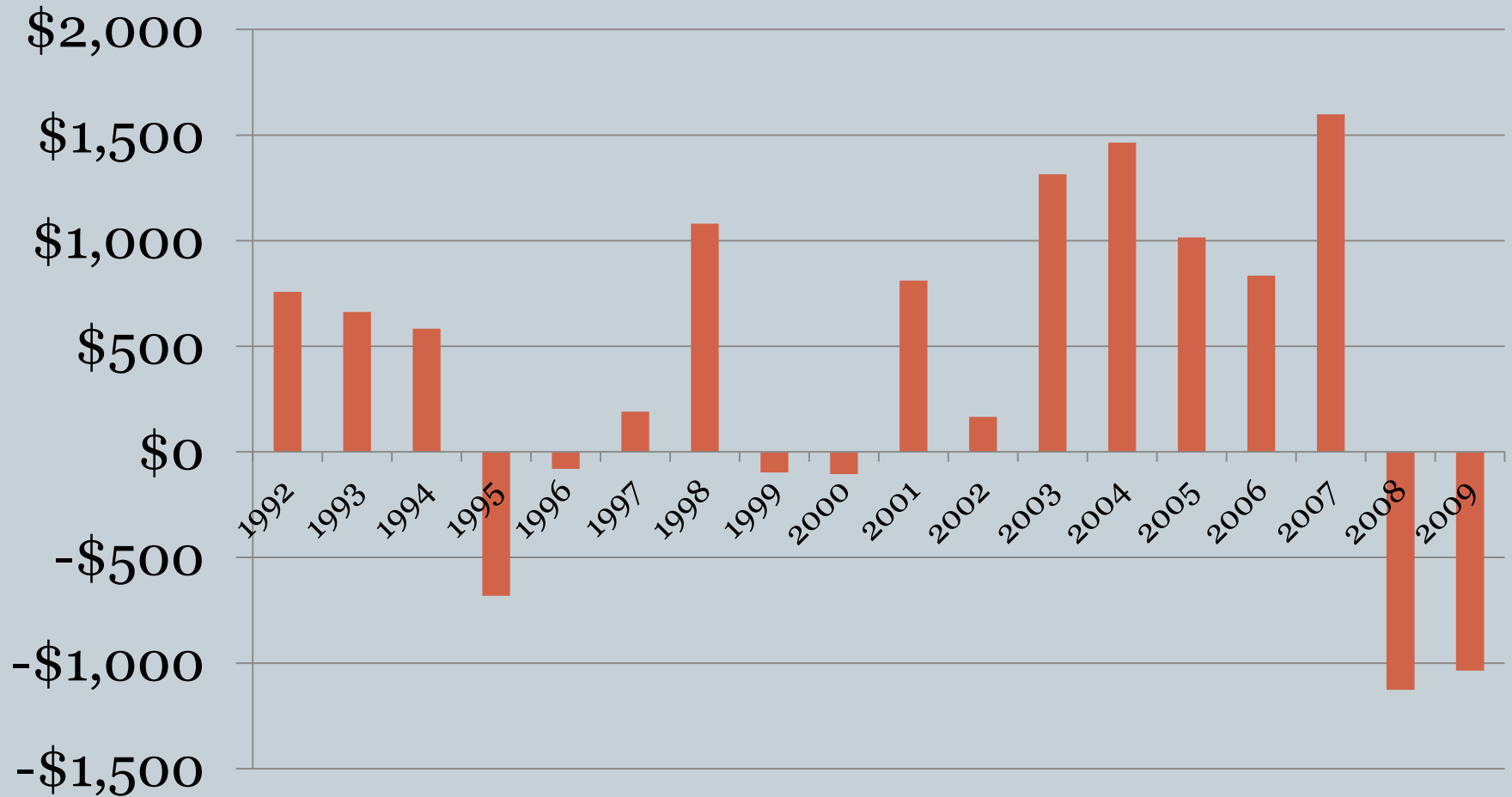


Average Annual Growth Rates, 2004-2009



Source: Bureau of Economic Analysis, Centers for Medicare and Medicaid Services

Annual change in per capita spending AFTER health care, Montana (2009 \$)



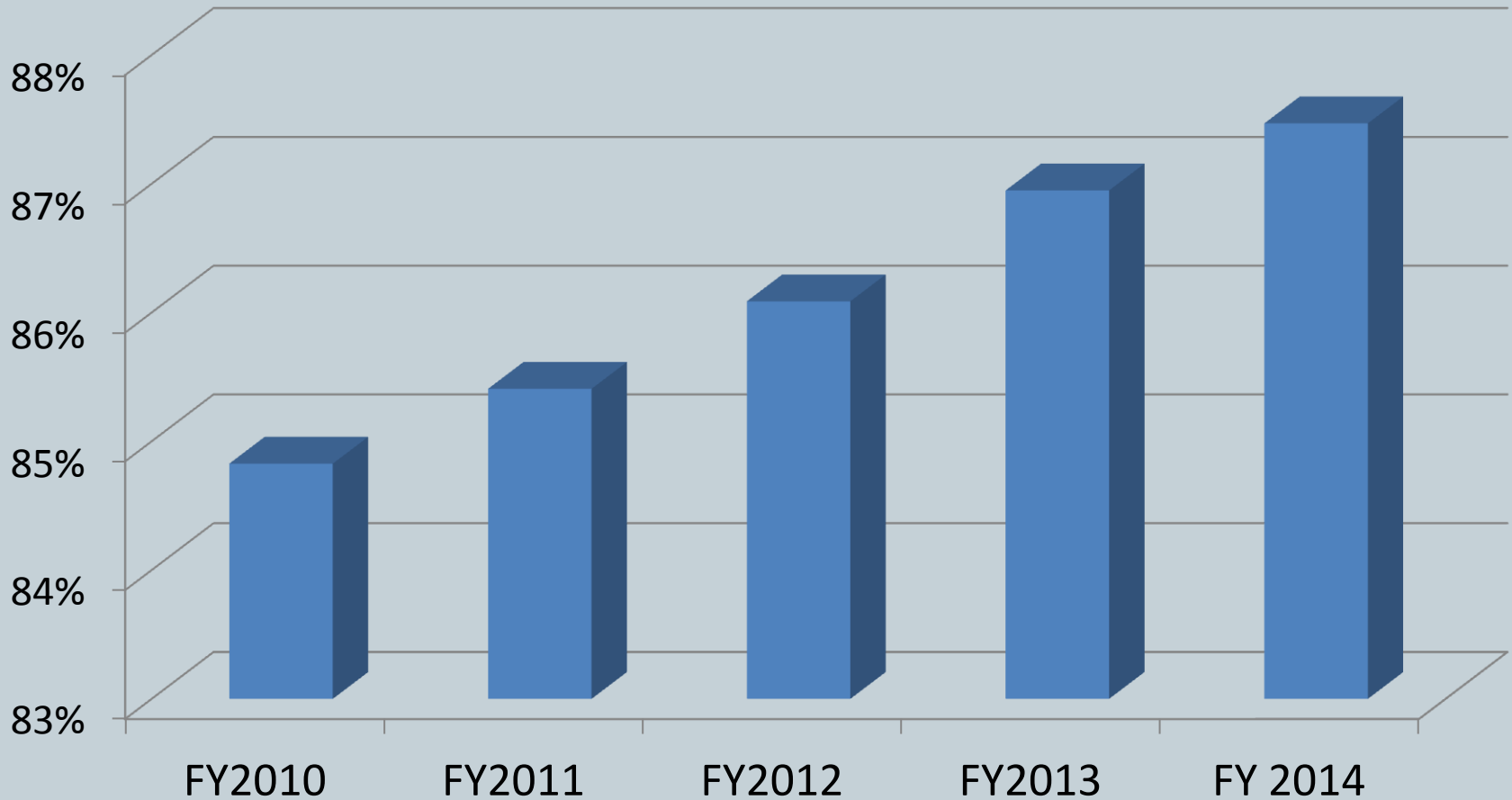
Source: Bureau of Economic Analysis, BBER-UM

Medicaid Economics

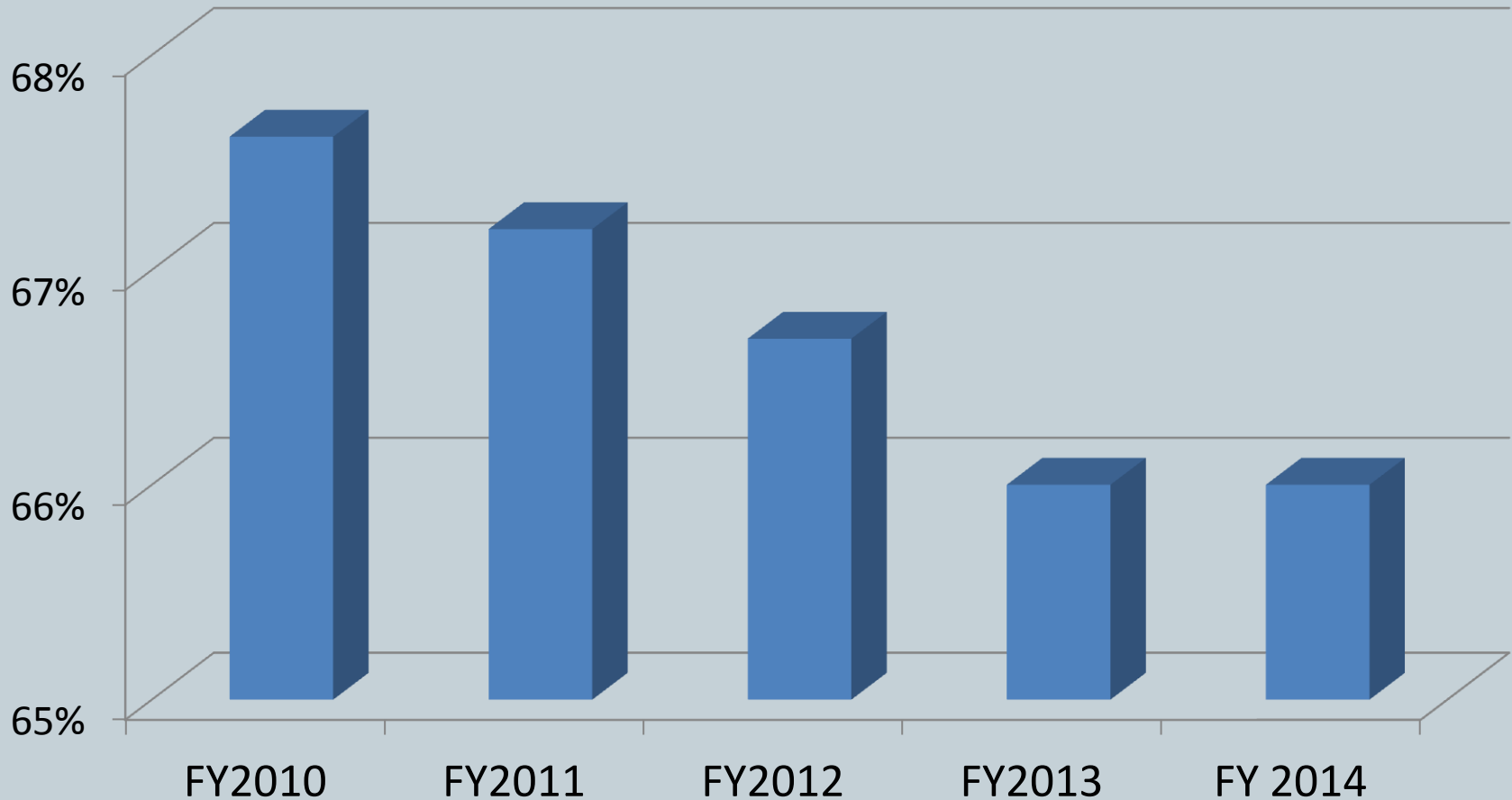


- Annually revised FMAP for current beneficiaries
- Expansion FMAP = 100% for first 3 years for those enrolled under new eligibility standards
- Ramps down to 90% by 2020, and stays there

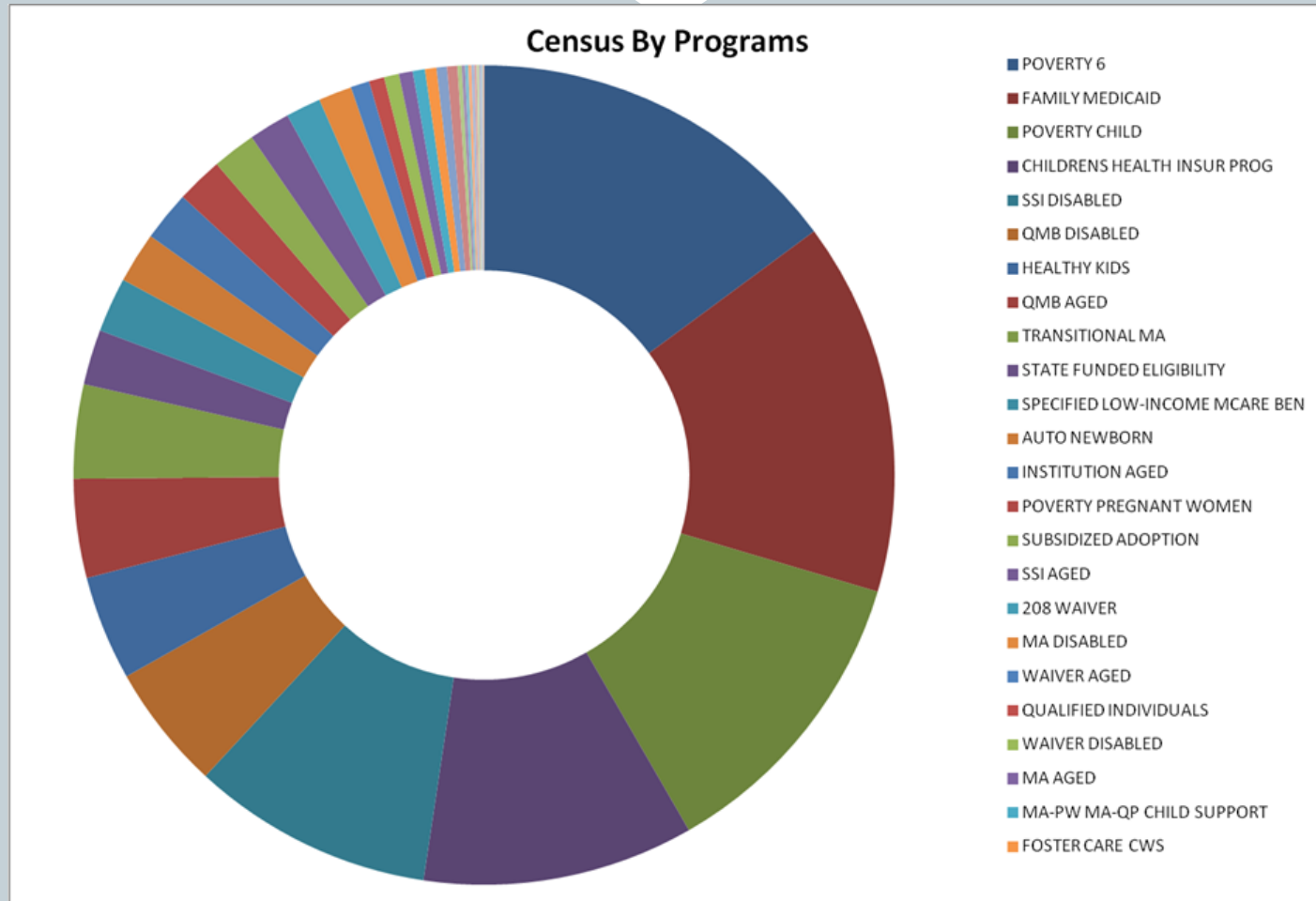
Ratio that determines the FMAP: 3 Year Per Capita Income



When our economy does better than the national economy, the FMAP goes down



Moving Parts to Medicaid, over 50 dependent codes



5 categories of Medicaid enrollees



1. Adults & children currently in Medicaid, HMK (formerly CHIP), HMK+ (formerly Children's Medicaid)
2. Uninsured adults eligible but not enrolled
3. Uninsured children eligible but not enrolled
4. Uninsured adults “newly” eligible for Medicaid if expanded
5. Adults with private coverage now eligible Medicaid

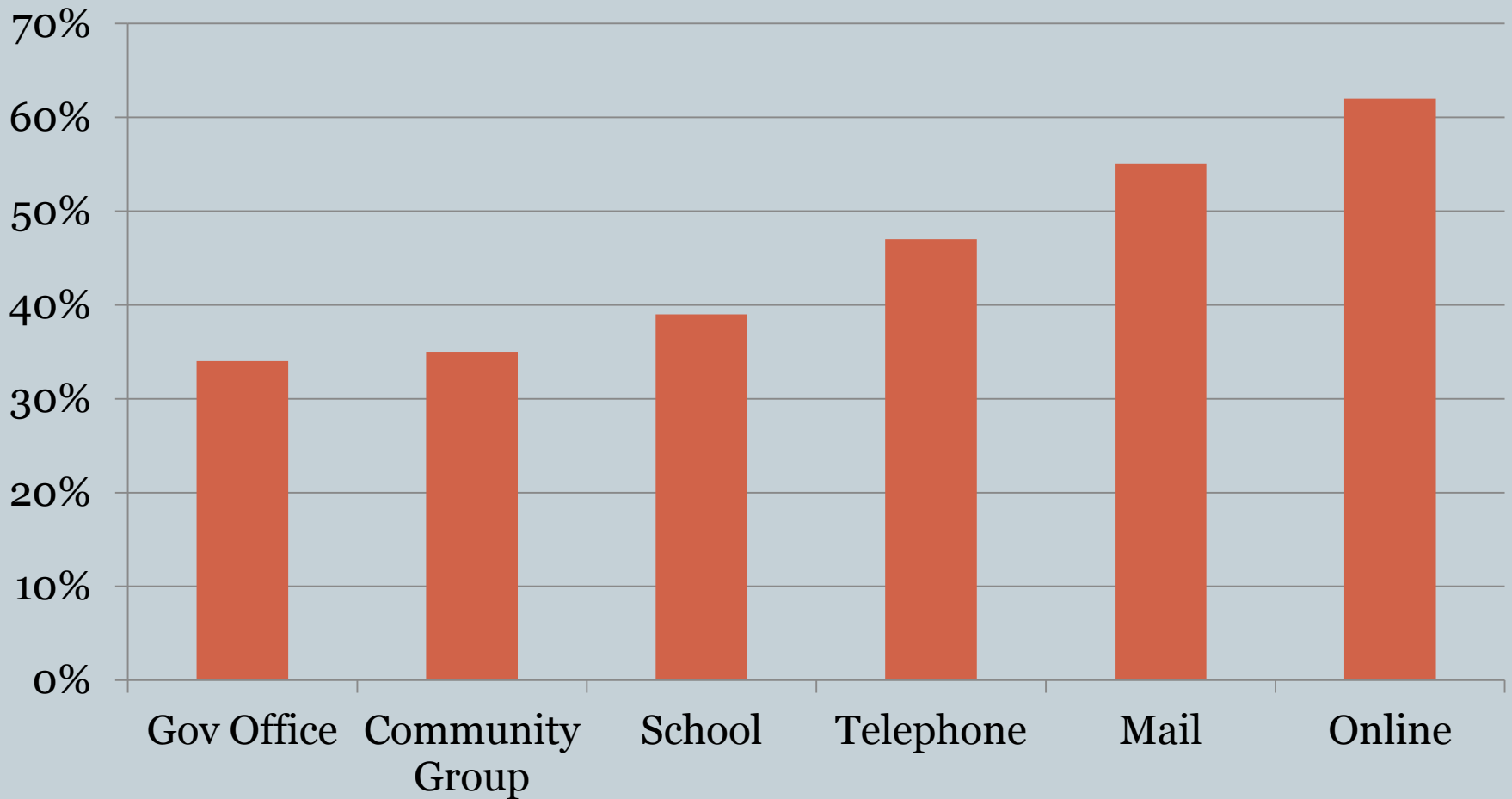
Medicaid Expansion to <138% FPL, How Many?



- Use of MAGI vs. AGI for eligibility
- How aggressively will states market expansion?
- Young adults eligible for Medicaid who stay on parent's policy

Enrollment Preferences

2011 Study “Parents’ Views of CHIP & Medicaid”



Source: Lake Research Partners, National Children’s Health Insurance Summit, November 2011

The Number of Potential New Medicaid Enrollees



Total uninsured in Montana	195,000
with incomes <138% FPL	69,000
Medicaid Population	
(?) % of 69,000	?
Woodwork population	2,000
Crowd Out population	14,000
 RJWF/Urban Institute (August 2012)	 60,000
Urban Institute (November 2012)	64,000

How would our expansion stack up to other states?



- Medicaid Expansion Index: MT = 99.6
 - WY = 114.7, ID = 100.5, WA = 89.9, ND = 95.0
- The 8 “No” States to expansion
 - ME = 67.2, AL = 109.8, GA = 126.1, LA = 135.3, MS = 127.7, SC = 123.8, TX = 120.2, OK = 143.7

Other Populations to Consider....



- Bubble population ($>138\%$ and $< 150\%$)
- Young adults on parent's policy
- Donut Hole population (too rich for Medicaid, too poor for tax credits and cost sharing in Exchanges)

Income-Health Gradient in Silver Plan



Family Income as % of Federal Poverty Level	Eligible for Exchange Credit?	Eligible for Cost Sharing Subsidy (if in Silver Plan)?	Fair or Poor Health, Uninsured Adults	
			30-49 Years Old	50-64 Years Old
< 138%	Medicaid	Medicaid	32% (26%)	28% (38%)
138% – 250%	Yes	Yes	8% (16%)	30% (29%)
250% - 400%	Yes	No	-- (11%)	-- (23%)
400%+	No	No	-- (9%)	-- (12%)

Health Care Resource Utilization Ratios

(visits per 100 people)



	Primary Care Offices	Hospital Outpatient Departments	Hospital Emergency Departments
Medicaid & CHIP compared to Uninsured	3.9	4.4	2.0
Medicaid & CHIP compared to Private Insurance	1.3	4.9	3.6
Uninsured compared to Private Insurance	0.3	1.1	1.8

Source: 2007 National Ambulatory Medical Care Survey

Can health system handle added demand?



- Primary Care Capacity Index: MT= 106.2
 - Others: WY = 79.9, ID = 84.2, ND = 85.2, SD = 99.3, WA = 135.4
- The 8 “No” states to expansion
 - ME= 157.1, AL = 73.9, GA = 57.5, LA = 66.3, MS = 89.8, SC = 85.5, TX = 55.9, OK = 58.8

Primary care capacity in Montana



- Existing SUPPLY = 2,074,800 office visits/year
- Existing DEMAND = 1,744,889 office visits/year
- Primary care excess capacity before Medicaid expansion...

329,911 office visits

2012 Study by the Urban Institute (2013-2022, millions of dollars)



	No ACA	ACA, No Medicaid Expansion	ACA, Medicaid Expansion	Medicaid Expansion relative to No ACA	Medicaid Expansion relative to No Expansion
Federal Spending	\$10,555	\$11,282	\$13,370	\$2,815	\$2,088
State Spending	\$4,694	\$4,936	\$5,130	\$436	\$194
Total Spending	\$15,249	\$16,218	\$18,500	\$3,250	\$2,282
Medicaid Enrollment	101,000	+ 28,000	+ 92,000	na	+ 64,000
Total Uninsured	184,000	- 60,000	- 98,000	na	- 38,000

The Urban Institute on state spending....



State spending for Medicaid expansion over No
Medicaid expansion spending = **\$194 million**, a 3.8%
increase in state spending

The Urban Institute study on uninsured...



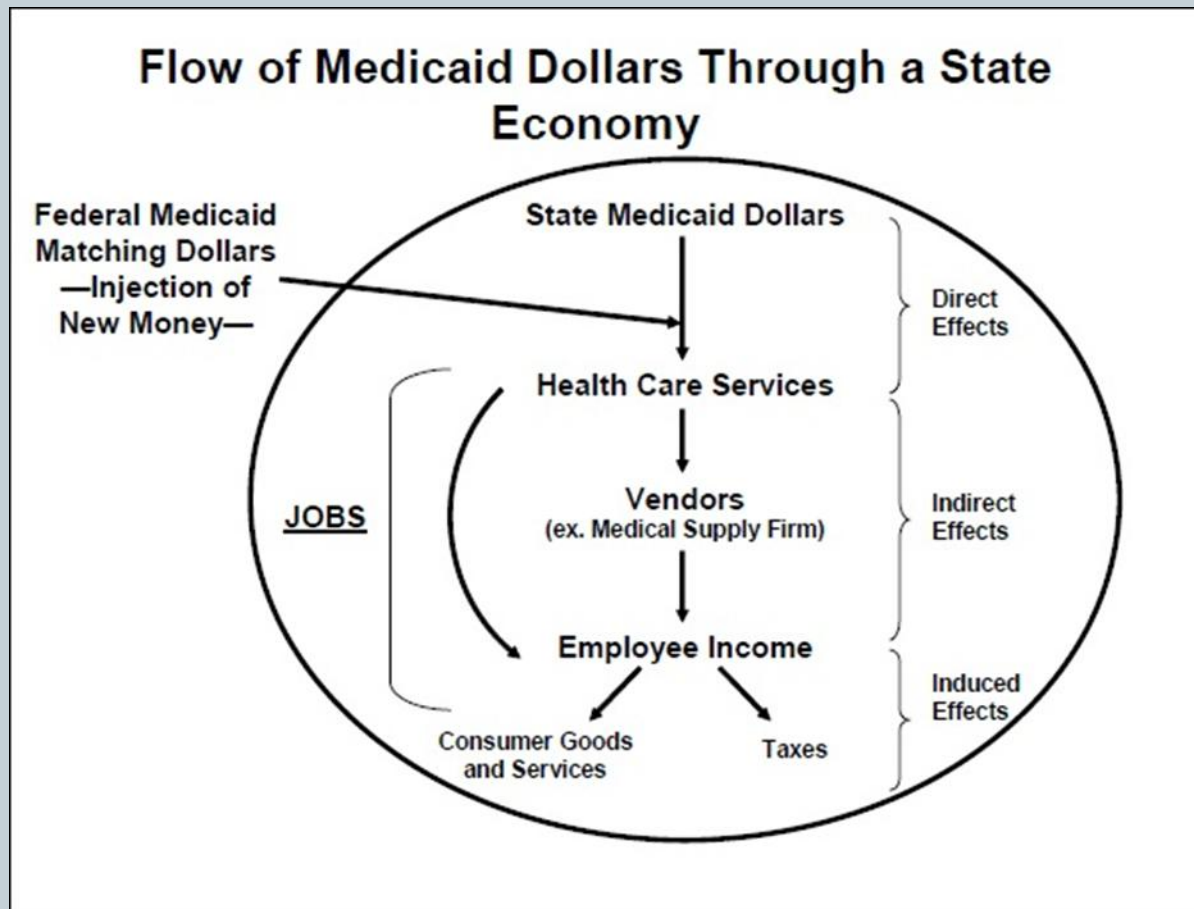
- Number uninsured, no ACA = 184,000
- Number uninsured-no expansion = 124,000 ↓ (32%)
- Number uninsured-with expansion = 86,000 ↓ (54%)

But the buck doesn't stop at cost only...



- Federal dollars stimulate economy, leading to increased jobs, labor income, business sales, and tax revenues for government
 - Few studies have quantified this impact
- As uninsured become insured, uncompensated care will be reduced leading to less cost-shifting to those with insurance

The impact of “new” dollars



For every \$1 billion in federal funds...



- Employment increases 18,600 jobs
- Labor income increases \$690.3 million
- Business sales increase \$1.5 billion
- State and local tax revenues increase \$72 million

Uncompensated Care to uninsured?

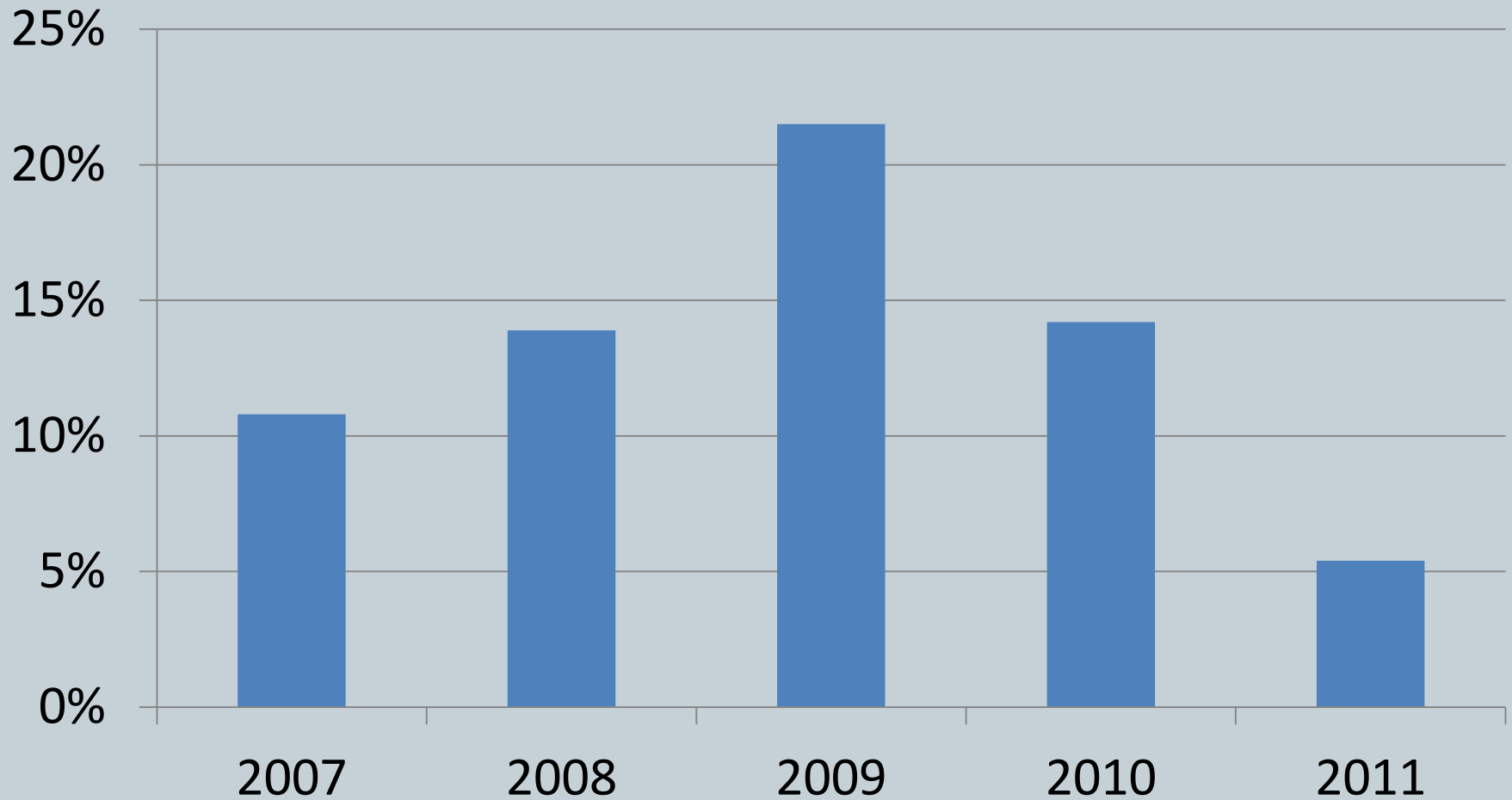
(total estimated for 2011 = \$268.3 million)



- Hospitals \$163.6 m
- Community Providers \$ 68.2 m
- Physicians \$ 36.5 m

- Uncompensated Care per Uninsured \$1,376
 - Childless adults may well be less
- Uncompensated care escalates per CPI-Medical Care

Percent Change in Uncompensated Care, MT Hospitals



So in addition to costs...



- Quantify amount of *reduced* uncompensated care delivered by health care providers as previously uninsured acquire Medicaid coverage....
- and
- Assess the economic impact of *new* federal dollars injected into the Montana economy...

Urban Institute Uncompensated Care



\$56 million

Urban Institute Net Cost



State spending on Medicaid expansion over and above
no expansion scenario = \$194 million...

Minus

Urban Institute reduced uncompensated care = \$56
million...

yields

Net Cost to State = \$138 million

What Could Change Estimates?



- Fiscal cliff and changes to PPACA
- Take-up rates
- Per enrollee spending (health status of childless adults)
- FMAP match for pre expansion population (depends on Montana economy relative to economy of U.S.)
- Possible Churn (bubble population)
- Crowd out (employers tend to raise employee contributions in response to increased Medicaid eligibility)

Thank you for your time...



Gregg Davis

Bureau of Business and Economic Research-The
University of Montana

gregg.davis@business.umt.edu

406.243.5113